

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Orchard Lake Village	County Oakland
Fiscal Year End June 30, 2007	Opinion Date December 10, 2007	Date Audit Report Submitted to State December 10, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

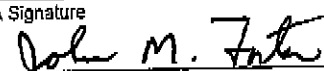
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☒ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Janz & Knight, P.L.C.		Telephone Number 248-646-9666	
Street Address 300 East Long Lake Road, Suite 360		City Bloomfield Hills	State MI
Authorizing CPA Signature 		Printed Name John M. Foster	License Number 1101016537

CITY OF ORCHARD LAKE VILLAGE

OAKLAND COUNTY, MICHIGAN

Report on Audit of Accounts

June 30, 2007

TABLE OF CONTENTS

	<u>Page</u>
Table of Contents.....	1
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report.....	2
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government Wide Financial Statements For The Year Ended June 30, 2007:	
Statement of Net Assets.....	7
Statement of Activities.....	8
Fund Financial Statements For The Year Ended June 30, 2007:	
Balance Sheet - Governmental Funds.....	9
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	10
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	12
Statement of Net Assets - Proprietary Funds.....	13
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	14
Statement of Cash Flows - Proprietary Funds.....	15
Statement of Assets and Liabilities - Agency Funds.....	16
Notes to the Financial Statements.....	17
Required Supplemental Information:	
Budgetary Comparison Schedules:	
General Fund.....	33
Major Road Fund.....	37
Local Road Fund.....	38
Other Supplemental Information:	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Non-major Governmental Funds	39
Combining Balance Sheet - Non-major Governmental Funds - Special Revenue Funds	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds - Special Revenue Funds.....	42

JANZ & KNIGHT, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
300 EAST LONG LAKE ROAD, SUITE 360
BLOOMFIELD HILLS, MICHIGAN 48304-2377

50
YEARS
1954-2004

FREDERICK G. JANZ
ROBERT J. KNIGHT
KENNETH E. ZINK
JOHN M. FOSTER

JOHN W. MACKAY
MICHAEL V. HIGGINS
JOHN E. MIELKE, JR.
DAWN M. LENGERS
JOSHUA J. LYNN
JAMES A. STEPHENSON, III
STEPHEN C. OTIS

TELEPHONE (248) 646-9666
FACSIMILE (248) 646-3857

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Council
City of Orchard Lake Village
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Orchard Lake Village, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Orchard Lake Village, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Orchard Lake Village, Michigan, as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Orchard Lake Village, Michigan basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Very truly yours,

Janz & Knight, P.L.C.

Certified Public Accountants

Bloomfield Hills, Michigan

December 10, 2007

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

June 30, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Orchard Lake Village's (the City) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

Using this Annual Report

The City's annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and Statement of Activities. They are designed to be corporate-like in that all governmental and business-type funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

The City as a Whole

Net Assets - The City's combined net assets were \$16,008,128 at the close of the year ended June 30, 2007. This represents an increase of \$1,306,489 or a 9% increase from a year ago. As we look at governmental activities separately from the business-type activities, we can see that the governmental activities net assets increased \$333,213. This increase was primarily the result of assets being capitalized that will be expensed as depreciation over their useful lives and principal paid on long term debt. The business-type activity had an increase of \$973,276 in net assets. A large part of this increase was from debt charges for sewer construction. The revenue from these charges are recognized in the current year but the cost will be spread over the life of the sewer system as depreciation.

The following table reflects the condensed Statement of Net Assets for the years ended June 30, 2007 and 2006:

Table 1
Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
ASSETS						
Current and other assets	\$ 1,866,268	\$ 1,872,370	\$ 3,406,714	\$ 3,718,558	\$ 5,272,982	\$ 5,590,928
Capital assets, net	<u>6,256,332</u>	<u>6,145,128</u>	<u>16,386,265</u>	<u>16,812,805</u>	<u>22,642,597</u>	<u>22,957,933</u>
Total assets	<u>\$ 8,122,600</u>	<u>\$ 8,017,498</u>	<u>\$19,792,979</u>	<u>\$20,531,363</u>	<u>\$27,915,579</u>	<u>\$28,548,861</u>
LIABILITIES AND NET ASSETS						
Current and other liabilities	\$ 292,351	\$ 260,462	\$ 66,375	\$ 140,732	\$ 358,726	\$ 401,194
Long term debt outstanding	<u>1,905,000</u>	<u>2,165,000</u>	<u>9,643,725</u>	<u>11,281,028</u>	<u>11,548,725</u>	<u>13,446,028</u>
Total liabilities	\$ 2,197,351	\$ 2,425,462	\$ 9,710,100	\$11,421,760	\$11,907,451	\$13,847,222
Net assets:						
Invested in capital assets, net of related debt	4,351,332	3,980,128	6,825,242	5,630,083	11,176,574	9,610,211
Restricted	168,153	261,233	252,071	238,551	420,224	499,784
Unrestricted	<u>1,405,764</u>	<u>1,350,675</u>	<u>3,005,566</u>	<u>3,240,969</u>	<u>4,411,330</u>	<u>4,591,644</u>
Total net assets	<u>\$ 5,925,249</u>	<u>\$ 5,592,036</u>	<u>\$10,082,879</u>	<u>\$ 9,109,603</u>	<u>\$16,008,128</u>	<u>\$14,701,639</u>
Total liabilities and net assets	<u>\$ 8,122,600</u>	<u>\$ 8,017,498</u>	<u>\$19,792,979</u>	<u>\$20,531,363</u>	<u>\$27,915,579</u>	<u>\$28,548,861</u>

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

June 30, 2007

Unrestricted net assets are net assets that can be used to finance day to day operations. Restricted net assets of the City totaled \$420,224. These net assets have limitations on their use that were imposed by restrictions such as enabling legislation, grant or bond covenants. The investment in capital assets represents the City's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

The following table shows the changes in net assets for the years ended June 30, 2007 and 2006:

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program revenue:						
Charges for services	\$ 210,818	\$ 281,796	\$ 1,022,922	\$ 997,060	\$ 1,233,740	\$ 1,278,856
Operating grants and contributions	160,941	170,524			160,941	170,524
Capital grants and contributions	4,744	7,198	369,439	351,046	374,183	358,244
General revenue:						
Property taxes	2,317,697	2,113,381	1,151,064	1,122,263	3,468,761	3,235,644
State shared revenue	177,106	179,847			177,106	179,847
Interest income	126,220	104,890	201,079	180,392	327,299	285,282
Franchise fees	43,635	38,841			43,635	38,841
Sale of fixed assets	3,808	1,577			3,808	1,577
Total revenue	\$ 3,044,969	\$ 2,898,054	\$ 2,744,504	\$ 2,650,761	\$ 5,789,473	\$ 5,548,815
Program expenses:						
General government	479,012	447,506			479,012	447,506
Public safety	1,388,136	1,323,330			1,388,136	1,323,330
Public works	599,783	552,837			599,783	552,837
Community and economic development	19,699	30,117			19,699	30,117
Health and welfare	2,000	8,000			2,000	8,000
Culture and recreation	130,314	131,354			130,314	131,354
Interest on long term debt	92,812	102,374			92,812	102,374
Sewer and water			1,771,228	1,841,016	1,771,228	1,841,016
Total program expenses	\$ 2,711,756	\$ 2,595,518	\$ 1,771,228	\$ 1,841,016	\$ 4,482,984	\$ 4,436,534
Increase in net assets	\$ 333,213	\$ 302,536	\$ 973,276	\$ 809,746	\$ 1,306,489	\$ 1,112,283
Net assets - beginning of year	5,592,036	5,289,498	9,109,603	8,299,858	14,701,639	13,589,356
Net assets - end of year	\$ 5,925,249	\$ 5,592,036	\$ 10,082,879	\$ 9,109,603	\$ 16,008,128	\$ 14,701,639

As shown in the above table total revenues were approximately \$5.8 million, of which 60% was obtained from property taxes, 21% for fees charged for services and 3% for state shared revenues. Total expenses were approximately \$4.5 million, of which 31% was for public safety, 13% for public works and 40% for sewer and water.

Business Type Activities

The City's business-type activities consists of the Sewer and Water Fund. The City provides sewer and water service to approximately 900 water units and approximately 1,400 sewer units.

The City Funds

The analysis of the City's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2007 include the General Fund, Major Road Fund, Local Road Fund, and the Debt Service Fund.

The General Fund is the main operating fund of the City. Total revenues for the year were approximately \$2,280,600. Of this revenue, 81% was from property taxes, and 8% was from state sources. Total expenditures for the year were approximately \$2,092,300. Of these expenditures, 44% was for public safety, 14% was for public works, and 17% was for general government. At June 30, 2007 the unreserved fund balance of \$1,010,271 represented 48% of the total General Fund expenditures for the year.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

June 30, 2007

The City Funds (continued)

The Major Road Fund accounts for the repairs, maintenance and construction of all City major streets. The fund balance of this fund at June 30, 2007 was \$28,998.

The Local Road Fund accounts for repairs, maintenance and construction of all City local streets. The fund balance of this fund at June 30, 2007 was \$122,054

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund balance of this fund at June 30, 2007 was \$2,314.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. Cable T.V. revenue, fines and tax penalties were amended to reflect increases. Restricted sanctuary contributions and related expenditures were amended to reflect an increase in contributions. Green Vision revenue and related expenditures were decreased to reflect reduced activity. Interest on investments was increased to reflect rising interest rates. The salaries for the public works departments were amended to reflect the reallocation of building official wages. Operating transfers out were amended to reflect increases subsidizing costs of the road funds and building fund. Retirement plan expenditures were amended to reflect an increase in employer contribution rates.

Total revenues were approximately \$4,100 above budgeted amounts. Total expenditures were approximately \$46,700 below budgeted amounts.

Capital Asset and Debt Administration

At the end of June 30, 2007, the City had \$22,642,597 invested in a broad range of capital assets (net of accumulated depreciation), including buildings, equipment, roads, and sewer and water lines.

Major expenditures for capital assets during the year included the following:

1. Road Improvements - \$168,842;
2. Police vehicle - \$19,750;
3. Building Improvement - \$10,694.

Long-Term Debt

The City's total indebtedness at June 30, 2007 was \$11,548,728 (net of compensated absences). The City maintains an "AA-" rating from Standard & Poor's. Additional information on the City's long-term debt can be found in Note F.

Economic Factors and Next Year's Budgets and Rates

The City's 2008 budget was prepared using various economic factors as follows:

Revenues:

Property tax rates for 2008 are as follows:

	2008 Mills Levied	2007 Mills Levied
Operations:		
General operations	4.48	4.49
Library	0.30	0.30
Debt service:		
Water	0.683	0.82
Sewer	2.190	2.30
Sanctuary	0.973	0.96

Property tax revenues are expected to increase slightly. This is the result of expected increases in taxable value within the City. State shared revenues are expected to decrease slightly due to economic conditions in the State of Michigan. The building department permit revenue is expected to be slightly higher than last year, but still significantly less than previous years due to the economic conditions in Michigan.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

June 30, 2007

Expenditures

Payroll expenditures are expected to increase to reflect approved wage increases. Employee benefits (health insurance) are expected to increase to reflect premium increases. The City has approved a transfer for retiree health insurance, recognizing the City's future liability. Garage maintenance is expected to increase to reflect necessary improvements.

The 2008 General Fund budget is balanced. The projected General Fund fund balance at June 30, 2008 is approximately \$1,042,779 which represents approximated 45% of the General Fund expenditures for the year.

Request for information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the City Office, at the City of Orchard Lake Village, 3955 Orchard Lake Road, Orchard Lake, Michigan 48323.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental Activities	Business-type Activity	Total
ASSETS			
Cash and cash equivalents	\$ 1,132,693	\$ 857,699	\$ 1,990,592
Investments	662,179	518,505	1,180,684
Receivables:			
Trade		456,104	456,104
Special assessments		1,260,535	1,260,535
Interest		24,800	24,800
Other	18,218		18,218
Prepaid expenses	24,491		24,491
Due from other governments	28,487	206,369	234,856
Capital assets, net:			
Depreciable	1,102,198	16,386,265	17,488,463
Non-depreciable	5,154,134		5,154,134
Bond issuance costs, net		82,702	82,702
Total assets	\$ 8,122,600	\$ 19,792,979	\$ 27,915,579
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and other liabilities	\$ 61,742	\$ 3,624	\$ 65,366
Accrued interest	13,414	58,312	71,726
Due to other governments	22,529		22,529
Internal balances	(4,439)	4,439	
Compensated absences	199,105		199,105
Noncurrent liabilities:			
Due within one year	295,000	1,432,660	1,727,660
Due in more than one year	1,610,000	8,211,065	9,821,065
Total liabilities	\$ 2,197,351	\$ 9,710,100	\$ 11,907,451
Net assets:			
Invested in capital assets, net of related debt	4,351,332	6,825,242	11,176,574
Restricted for:			
Major and local roads	146,052		146,052
Building Department	8,822		8,822
OSLA	262		262
Other	13,017	252,071	265,088
Unrestricted	1,405,764	3,005,566	4,411,330
Total net assets	\$ 5,925,249	\$ 10,082,879	\$ 16,008,128
Total liabilities and net assets	\$ 8,122,600	\$ 19,792,979	\$ 27,915,579

The attached notes are an integral part of the financial statements.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 479,012	\$ 9,084	\$ 1,200	\$ 3,582
Public safety	1,388,136	167,591	1,847	1,162
Community and economic development	19,699			
Public works	599,783	34,142	149,869	
Health and welfare	2,000		2,000	
Culture and recreation	130,314		6,025	
Interest on long term debt	92,812			
Total governmental activities	\$ 2,711,756	\$ 210,817	\$ 160,941	\$ 4,744
Business-type activity:				
Water and sewer fund	1,771,228	1,022,922		369,439
Total primary government	\$ 4,482,984	\$ 1,233,739	\$ 160,941	\$ 374,183

General revenues:

Property taxes
 State shared revenues
 Interest income
 Franchise fees
 Special item - sale of fixed assets

Total general revenues and special items

Changes in net assets

Net assets - July 1, 2006

Net assets - June 30, 2007

The attached notes are an integral part of the financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (465,146)	\$	\$ (465,146)
(1,217,536)		(1,217,536)
(19,699)		(19,699)
(415,772)		(415,772)
(124,289)		(124,289)
(92,812)		(92,812)
<u>\$ (2,335,253)</u>	<u>\$</u>	<u>\$ (2,335,253)</u>
	(378,867)	(378,867)
<u>\$ (2,335,253)</u>	<u>\$ (378,867)</u>	<u>\$ (2,714,120)</u>
2,317,697	1,151,064	3,468,761
177,106		177,106
126,220	201,079	327,299
43,635		43,635
<u>3,808</u>	<u></u>	<u>3,808</u>
<u>\$ 2,668,466</u>	<u>\$ 1,352,143</u>	<u>\$ 4,020,609</u>
\$ 333,213	\$ 973,276	\$ 1,306,489
<u>5,592,036</u>	<u>9,109,603</u>	<u>14,701,639</u>
<u>\$ 5,925,249</u>	<u>\$ 10,082,879</u>	<u>\$ 16,008,128</u>

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2007

	General	Major Road Fund	Local Road Fund	Debt Service Fund
ASSETS				
Cash and cash equivalents	\$ 638,019	\$ 34,389	\$ 132,819	\$ 2,278
Investments	351,596			
Receivables:				
Other	18,218			
Prepaid expenses	19,491			
Due from other funds	30,579		6,429	82
Due from other governments	27,952			401
Total assets	<u>\$ 1,085,855</u>	<u>\$ 34,389</u>	<u>\$ 139,248</u>	<u>\$ 2,761</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other liabilities	\$ 42,582	\$ 2,942	\$ 12,945	\$ 447
Due to other funds	103	7,449	4,249	
Due to other governments	391			
Total liabilities	<u>\$ 43,076</u>	<u>\$ 10,391</u>	<u>\$ 17,194</u>	<u>\$ 447</u>
Fund balances:				
Reserved:				
Debt service				2,314
Other	32,508			
Unreserved, reported in:				
General Fund	1,010,271			
Special Revenue Funds		23,998	122,054	
Total fund balances	<u>\$ 1,042,779</u>	<u>\$ 23,998</u>	<u>\$ 122,054</u>	<u>\$ 2,314</u>
Total liabilities and fund balances	<u>\$ 1,085,855</u>	<u>\$ 34,389</u>	<u>\$ 139,248</u>	<u>\$ 2,761</u>

The attached notes are an integral part of the financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 295,521	\$ 1,103,026
203,452	555,048
	18,218
5,000	24,491
21	37,111
134	28,487
<u>\$ 504,128</u>	<u>\$ 1,766,381</u>

\$ 21,249	\$ 58,816
22,138	33,050
<u>22,138</u>	<u>22,529</u>
\$ 43,367	\$ 114,495

5,000	2,314
	37,508
	1,010,271
455,741	801,793
<u>\$ 460,741</u>	<u>\$ 1,651,886</u>
<u>\$ 504,128</u>	<u>\$ 1,766,381</u>

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2007

Total governmental fund balances. \$ 1,651,886

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in government activities are not financial
resources, and are not reported in the governmental funds:

Governmental capital assets	\$ 6,702,500	
Less accumulated depreciation	(486,104)	6,206,396

Long-term liabilities, including compensated absences, are not due and payable in the current period and are not reported in the funds including related accrued interest.	(2,117,519)
--	-------------

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in the statement of net assets	184,486
--	---------

Net assets of governmental activities	<u>\$ 5,925,249</u>
---	---------------------

The attached notes are an integral part of the financial statements.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2007

	General	Major Road Fund	Local Road Fund	Debt Service Fund
Revenues:				
Taxes	\$ 1,852,907	\$	\$	\$ 354,119
Licenses and permits	47,823			
Federal sources	8,000			
State sources	182,535	82,804	64,065	
Charges for services	28,635			
Fines and forfeitures	59,677			
Interest and rents	87,281	1,089	5,096	3,135
Other	18,733			
Total revenues	\$ 2,280,591	\$ 83,893	\$ 69,161	\$ 357,254
Expenditures:				
Current:				
General government	360,473			
Public safety	913,238			
Community and economic development	18,777			
Public works	284,688	46,718	248,364	
Health and welfare				
Culture and recreation	16,337			
Other	493,809			
Capital outlay	4,950			
Debt service:				
Principal payments				260,000
Interest and fiscal charges				94,643
Total expenditures	\$ 2,092,272	\$ 46,718	\$ 248,364	\$ 354,643
Excess of revenues over (under) expenditures	\$ 188,319	\$ 37,175	\$ (179,203)	\$ 2,611
Other financing sources (uses):				
Operating transfers in	2,300	9,550	125,000	
Operating transfers out	(124,800)	(25,000)		
Total other financing sources (uses)	\$ (122,500)	\$ (15,450)	\$ 125,000	\$
Excess of revenues and other sources over (under) expenditures and other uses	\$ 65,819	\$ 21,725	\$ (54,203)	\$ 2,611
Fund balance - July 1, 2006	976,960	2,273	176,257	(297)
Fund balance - June 30, 2007	\$ 1,042,779	\$ 23,998	\$ 122,054	\$ 2,314

The attached notes are an integral part of the financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 110,671	\$ 2,317,697
74,556	122,379
2,000	5,000
	329,404
	28,635
1,622	61,299
23,887	120,488
35,743	54,476
<u>\$ 248,479</u>	<u>\$ 3,039,378</u>

	360,473
131,132	1,044,370
	18,777
51,523	631,293
2,000	2,000
110,671	127,008
	493,809
	4,950
	260,000
	94,643
<u>\$ 295,326</u>	<u>\$ 3,037,323</u>

\$ (46,847)	\$ 2,056
-------------	----------

50,250	187,100
(37,300)	(187,100)
<u>\$ 12,950</u>	<u>\$</u>

\$ (33,897)	\$ 2,056
494,638	1,649,831
<u>\$ 460,741</u>	<u>\$ 1,651,886</u>

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2007

Net change in fund balances - total governmental fund.	\$ 2,056
--	----------

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation:

Expenditures for capital assets.	\$ 187,953	
Current year depreciation.	<u>(54,122)</u>	133,831

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end.	(5,963)
--	---------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).	260,000
--	---------

Accrued interest is recorded in the statement of activities.	1,831
--	-------

Increase in accumulated employee vacation and sick pay are recorded when earned in the statement of activity.	(22,350)
--	----------

Internal service fund activity is not reported as part of governmental funds; transactions with organizations outside governmental funds are included in the statement of activities . . .	<u>(36,192)</u>
--	-----------------

Change in net assets of governmental activities.	<u>\$ 333,213</u>
--	-------------------

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2007

	Business-type Activity- Water and Sewer Fund	Governmental Activity- Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 657,699	\$ 29,867
Investments	518,505	107,131
Receivables:		
Trade	456,104	
Special assessments	83,000	
Interest	24,600	
Due from other funds		1,969
Due from other governments	206,369	
Total current assets	\$ 2,146,477	\$ 138,967
Noncurrent assets:		
Receivable - special assessments	1,177,535	
Capital assets, net	16,386,265	49,936
Total noncurrent assets	\$ 17,563,800	\$ 49,936
Other assets:		
Bond issuance costs, net	82,702	
Total assets	\$ 19,792,979	\$ 188,903
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other liabilities	\$ 3,624	\$ 2,826
Accrued interest	58,312	
Due to other funds	4,439	1,591
Current portion of long term debt	1,432,660	
Total current liabilities	\$ 1,499,035	\$ 4,417
Noncurrent liabilities:		
Bond payable	8,211,065	
Total liabilities	\$ 9,710,100	\$ 4,417
Net assets:		
Invested in capital assets, net of related debt	6,825,242	49,936
Restricted for improvements	252,071	
Unrestricted	3,005,566	134,550
Total net assets	\$ 10,082,879	\$ 184,486
Total liabilities and net assets	\$ 19,792,979	\$ 188,903

The attached notes are an integral part of the financial statements.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the Year Ended June 30, 2007

	Business-type Activity- Water and Sewer Fund	Governmental Activity- Internal Service Fund
Operating revenue:		
Water and sewer sales	\$ 985,012	\$
Water and sewer penalties	11,200	
Permit fees - operating	12,336	
Water meter maintenance - operating	11,791	
Equipment rental		94,707
Miscellaneous income	2,583	
Total operating revenue	\$ 1,022,922	\$ 94,707
Operating expenses:		
Salaries and benefits		23,742
Payroll taxes		1,816
Repairs and maintenance		23,518
Utilities		4,227
Gas and oil		22,569
Tires		1,605
Parts and supplies		14,997
Insurance		6,800
Cost of water and sewer treatment	629,740	
Water installation costs	5,400	
Sewer inspection costs	903	
Water transmission	39,631	
Sewer system maintenance	13,070	
Sewer pump station maintenance	75,470	
Water maintenance service	10,933	
General & administrative expenses	94,975	
Depreciation and amortization	442,145	42,378
Professional fees	4,615	800
Miscellaneous	5,263	
Total operating expenses	\$ 1,322,145	\$ 142,452
Operating income (loss)	\$ (299,223)	\$ (47,745)
Nonoperating revenues (expenses):		
Property taxes	1,151,064	
Capital charges	21,628	
Interest income	201,079	6,583
Debt service charge	347,811	
Interest expense	(428,630)	
Miscellaneous income		1,162
Gain on sale of assets		3,808
Reserve for operations	(20,453)	
Total nonoperating revenues (expenses)	\$ 1,272,499	\$ 11,553
Change in net assets	\$ 973,276	\$ (36,192)
Net assets - July 1, 2006	9,109,603	220,678
Net assets - June 30, 2007	\$ 10,082,879	\$ 184,486

The attached notes are an integral part of the financial statements.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2007

	Business-type Activity Water and Sewer Fund	Governmental Activity- Internal Service Fund
Cash flows from operating activities:		
Receipts from customers	\$ 921,730	\$ 97,401
Payments to employees		(23,742)
Payments to suppliers	(945,801)	(77,949)
Net cash provided (used) by operating activities	\$ (24,071)	\$ (4,290)
Cash flows from capital and related financing activities:		
Collection of customer capital charges	21,628	
Collection of special assessment charges	121,297	
Collection of property taxes	1,153,239	
Collection of debt service charge	347,811	
Purchase of fixed assets		(19,750)
Proceeds from sale of capital assets		3,808
Miscellaneous income		1,162
Principal paid on capital debt	(1,637,303)	
Interest paid on capital debt	(439,360)	
Reserve for operations	(20,453)	
Net cash provided (used) by capital and related financing activities	\$ (453,141)	\$ (14,780)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	5,434,182	521,000
Purchase of investments	(4,822,547)	(523,209)
Realized and unrealized gain on sale of investments	(51,413)	
Interest income	204,279	2,351
Net cash provided (used) by investing activities	\$ 764,451	\$ 142
Net increase (decrease) in cash and cash equivalents	\$ 287,239	\$ (18,928)
Cash and cash equivalents - July 1, 2006	570,480	48,795
Cash and cash equivalents - June 30, 2007	\$ 857,699	\$ 29,867
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (299,223)	\$ (47,745)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	442,145	42,378
Changes in assets and liabilities:		
(Increase) decrease in receivables	(40,310)	
(Increase) decrease in due from other funds		1,893
(Increase) decrease in due from other governments	(60,882)	
Increase (decrease) in accounts payable and other liabilities	(65,801)	(1,617)
Increase (decrease) in due to other funds		811
Net cash provided (used) by operating activities	\$ (24,071)	\$ (4,290)

The attached notes are an integral part of the financial statements.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

JUNE 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents.	\$ 76,212
Total assets	<u>\$ 76,212</u>
LIABILITIES	
Deposits payable and other liabilities	\$ 76,212
Total liabilities	<u>\$ 76,212</u>

The attached notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - Summary of Significant Accounting Policies

The accounting policies of the City of Orchard Lake Village (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Orchard Lake Village.

Reporting Entity

The City of Orchard Lake Village is governed by an elected seven-member Council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both measurable and available to finance expenditures of the period. Property taxes, state-shared revenue, interest, reimbursement grants, and charges for services are considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE A - Summary of Significant Accounting Policies (continued)

Governmental Funds

The City reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be account for in another fund.

Major Road Fund

The Major Road Fund accounts for the construction, maintenance, and repairs of all streets classified as "major roads" within the City. Financing is provided primarily by State-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Local Road Fund

The Local Road Fund accounts for the construction, maintenance, and repairs of all streets classified as "local roads" within the City. Financing is provided primarily by State-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Additionally, the City reports the following fund types:

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust funds).

Proprietary Fund

The City reports the following major proprietary fund:

Water and Sewer Fund

The Water and Sewer Fund accounts for the operation, maintenance and distribution of the water and sewage systems administered by Oakland County.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund relates to charges to customers for sales and services. The Water and Sewer Fund recognized the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as nonoperating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Internal Service Fund

The City's only internal service fund is the Motor Pool Fund. This fund accounts for the costs of maintaining automobiles and equipment used by various City departments. Costs are billed to the departments for labor and materials.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE A - Summary of Significant Accounting Policies (continued)

Fiduciary Funds

Agency Funds

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Property Taxes

The City is a Home Rule City with a fiscal year beginning July 1 and ending June 30. Summer property taxes are levied on July 1 and become a lien on that date. Summer property taxes are payable between July 1 and September 1, without penalty. Summer taxes paid between September 2 and February 28 are subject to a 4% penalty plus a 1% penalty for each month delinquent. Summer real property taxes delinquent after February 28 are purchased by Oakland County from the City. Winter property taxes are levied on December 1 and become a lien on that date. Winter property taxes are payable between December 1 and February 14 without penalty. Winter taxes paid between February 15 and February 28 are subject to a 4% penalty. Winter real property taxes delinquent after February 28 are purchased by Oakland County from the City.

The 2006 taxable valuation of the City of Orchard Lake Village totaled \$368,455,750, on which ad valorem taxes levied consisted of 4.49 mills for the City of Orchard Lake Village operation purposes, 4.08 mills for debt, .30 mills for library, raising \$1,654,366 for operating, \$1,503,299 for debt, and \$110,537 for library. These amounts are recognized in the respective General, Special Revenue, Debt Service, and Enterprise Fund financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Deposits are carried at cost and consist of cash on hand, checking accounts, certificates of deposit, savings accounts, and investments in mutual funds. Investments are stated at fair value, which is based on provided market values.

For purposes of the Statement of Cash Flows, the City considered cash deposits and certificates of deposits with a maturity of three months or less when purchased to be cash equivalents.

Interfund Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Receivables

All trade and property tax receivables are considered fully collectible by the City. No provision has been made in the financial statements for noncollection.

Prepaid Items

Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain revenues of the enterprise funds require amounts to be set aside for debt service principal and interest, operations and maintenance, and improvements and replacement of the water and sewer system. These amounts have been classified as restricted net assets.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE A - Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include land, buildings, building improvements, vehicles, machinery, equipment and infrastructure are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets. The City has elected not to retroactively report infrastructure assets.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets.

Depreciation of all exhaustible fixed assets used by propriety fund types is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund type balance sheets. Depreciation has been provided over the estimated useful lives.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Water and Sewer System	50
Buildings and Improvements	10-50
Vehicles	3-10
Equipment (Police, Highway, Office)	3-25
Roads	20

Compensated Absences (Sick and Vacation Leave)

Sick and vacation pay earned are recognized in the governmental financial statements when they are paid. The long-term portion of compensated absences related to governmental funds is a liability recorded in the Statement of Net Assets.

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and net of any deferred charges on bond refundings. Issuance costs are reported as deferred charges.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance present tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE B - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end. The City's appropriation resolution is generally passed during the May preceding the fiscal year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The City Clerk has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the board is at the department (activity) level.

The City Council must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The Clerk can transfer appropriations between line items within a department or activity without governing body approval.

Supplemental appropriations were necessary during the year, which increased total expenditures.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1966 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

NOTE C - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City has designated various banks for the deposit of City funds. The treasurer keeps a list of approved banks. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

During the year the City was invested in a fund that was not in accordance with its investment policy; it was composed of investments not allowed under statutory authority. At June 30, 2007 the City was in compliance with statutory authority and the City's investment policy.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE C - Deposits and Investments (continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$1,884,070 of bank deposits (certificates of deposit, mutual funds, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City had no investment securities that were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Commercial paper	\$1,073,553	91 days
U.S. Agency securities	107,130	68 days

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Money market fund	\$1,083,106	AAAm	S&P
Bank investment pools	159,438	A-1/P1	S&P/Moody's
Commercial paper	1,073,553	A-1+/P1	S&P/Moody's
U.S. Agency securities	107,130	A-1+/F1+	S&P/Fitch

Concentration of Credit Risk

The City requires that no more than 50% of the total investment portfolio, excluding U.S. Treasury securities and authorized investment pools, be invested in a single security type or with a single financial institution. The City has more than 5 percent of its investments in the following:

Commercial Paper - GE Capital	91%
U.S. Agency Securities	9%

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE D - Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,145,717	\$	\$	\$ 5,145,717
Construction in progress - roads		8,417		8,417
Subtotal	\$ 5,145,717	\$ 8,417	\$	\$ 5,154,134
Capital assets being depreciated:				
Buildings and improvements	792,695	10,694		803,389
Highway equipment	61,906			61,906
General equipment	71,064		8,995	62,069
Police equipment	75,226			75,226
Vehicles	313,737	19,750	20,349	313,138
Roads	514,065	169,842		683,907
Subtotal	\$ 1,828,693	\$ 199,286	\$ 29,344	\$ 1,998,635
Less accumulated depreciation for:				
Buildings and Improvements	383,751	17,131		400,882
Highway equipment	60,541	780		61,321
General equipment	41,777	4,956	8,995	37,738
Police equipment	60,801	6,997		67,798
Vehicles	256,963	34,600	20,349	271,214
Roads	25,449	32,035		57,484
Subtotal	\$ 829,282	\$ 96,499	\$ 29,344	\$ 896,437
Net capital assets being depreciated	\$ 999,411	\$ 102,787	\$	\$ 1,102,198
Net capital assets	\$ 5,145,128	\$ 111,204	\$	\$ 5,256,332
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$14,827,025	\$	\$	\$14,827,025
Water system	6,500,000			6,500,000
Subtotal	\$21,327,025	\$	\$	\$21,327,025
Less accumulated depreciation for:				
Sewer system	3,138,387	296,540		3,434,927
Water system	1,375,833	130,000		1,505,833
Subtotal	\$ 4,514,220	\$ 426,540	\$	\$ 4,940,760
Net capital assets being depreciated	\$16,812,805	\$ (426,540)	\$	\$16,386,265
Net capital assets	\$16,812,805	\$ (426,540)	\$	\$16,386,265

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE D - Capital Assets (continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 18,970
Public safety	29,658
Public works	47,081
Recreation and culture	<u>790</u>
Total governmental activities	<u>\$ 96,499</u>
Business-type activities:	
Water and sewer	<u>\$426,540</u>

Construction Commitments

The City has active construction projects at year-end. The projects include paving of roads. At year-end the City's commitments with contracts are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Roads	<u>\$ _____</u>	<u>\$ 116,600</u>

NOTE E - Interfund Receivables, Payables and Transfers

The following are the interfund receivables at June 30, 2007:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Road	\$ 727
	Local Road	2,573
	Building	13,009
	Drug Forfeiture	2,300
	Motor Pool	1,591
	Water & Sewer	4,439
	OLSA	<u>5,940</u>
	Total General Fund	\$30,579
Local Road Fund	Major Road	6,429
Debt Service Fund	General Fund	82
Library Fund	General Fund	21
Motor Pool Fund	Major Road	293
	Local Road	<u>1,676</u>
	Total Motor Pool	<u>\$ 1,969</u>
Total interfund receivable		<u>\$39,080</u>

These balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE E - Interfund Receivables, Payables and Transfers (continued)

Interfund Transfers

<u>Transfer In</u>	<u>Transfers (Out)</u> <u>General Fund</u>	<u>Major</u> <u>Road</u> <u>Fund</u>	<u>Capital</u> <u>Improvement</u> <u>Fund</u>	<u>Drug</u> <u>Forfeiture</u> <u>Fund</u>	<u>Total</u>
General Fund	\$	\$	\$	\$ 2,300	\$ 2,300
Major Road Fund	9,550				9,550
Local Road Fund	65,000	25,000	35,000		125,000
Retiree Healthcare Fund	37,500				37,500
Building Fund	12,750				12,750
Total	<u>\$ 124,800</u>	<u>\$25,000</u>	<u>\$ 35,000</u>	<u>\$ 2,300</u>	<u>\$187,100</u>

Transfers from General Fund to Major Road and Local Road Funds are to subsidize the future costs of road improvements.

Transfers from the Major Road and Capital Improvement Funds are to subsidize the future costs of road improvements.

Transfers from the General Fund to the Retiree Healthcare Fund is to establish a new fund for future liabilities related to healthcare for retirees.

Transfers from the General Fund to the Building Fund were necessary to subsidize the decrease in revenue.

NOTE F - Long-Term Debt

The following is a summary of general long-term debt of the City for the year ended June 30, 2007:

	<u>General</u> <u>Obligation</u>	<u>Compensated</u> <u>Absences</u>	<u>Total</u>
Balance at July 1, 2006	\$2,165,000	\$ 176,755	\$2,341,755
Principal retirements	(260,000)		(260,000)
Increase in obligation for compensate absences		22,350	22,350
Balance at June 30, 2007	<u>\$1,905,000</u>	<u>\$ 199,105</u>	<u>\$2,104,105</u>

The following is a summary of long-term debt transactions of the City's Enterprise Fund for the year ended June 30, 2007:

	<u>General</u> <u>Obligation</u> <u>Bonds</u>
Balance at July 1, 2006	\$11,281,028
Principal retirement	(1,637,303)
Balance at June 30, 2007	<u>\$ 9,643,725</u>

General Long-Term Debt - Bonds Payable

On February 12, 1992, general obligation bonds in the amount of \$3,450,000 were sold for the purpose of acquiring the Nature Sanctuary property. As noted below there was a defeasance of \$2,755,000 of this debt during 1998.

On April 23, 1998, general obligation bonds in the amount of \$2,985,000 were sold for the purpose of retiring \$2,755,000 of the Nature Sanctuary debt detailed above. The advance refunding met the requirements of an in-substance debt defeasance and the general obligations were removed from the City's General Long-Term Debt Account Group.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE F - Long-Term Debt (continued)

General Long-Term Debt - Bonds Payable (continued)

As a result of the advance refunding, the City reduced its total debt service requirements by \$447,742, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$298,766. Schedule of principal and interest payments are as follows:

Year	Due November 1			Due May 1	
	Principal	Interest	Total	Interest	
2007	\$ 295,000	\$ 43,921	\$ 338,921	\$	
2008	335,000	37,284	372,284	37,284	
2009	385,000	29,663	414,663	29,663	
2010	430,000	20,808	450,808	20,808	
2011	460,000	10,810	470,810	10,810	
	<u>\$1,905,000</u>	<u>\$ 142,486</u>	<u>\$2,047,486</u>	<u>\$ 98,565</u>	

The bonds bear interest at a rate of 3.75% to 4.7%.

Compensated Absences

Accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts accumulated that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

Enterprise Fund - Bonds Payable

Bonds payable at June 30, 2007 are comprised of the following individual issues:

Pursuant to an election held November 7, 1989 the electorate of the City authorized the issuance of bonds in an amount not to exceed \$9,300,000 for the purpose of defraying part of the cost of acquiring and constructing a sanitary sewage collection and disposal system. Taxes imposed by the City are not subject to limitation as to rate or amount pursuant to the November 7, 1989 election.

On October 17, 1990, bonds in the amount of \$2,135,000 were sold at public sale by the County of Oakland Sewage Disposal - City of Orchard Lake Village System. These bonds are part of the \$9,300,000 voter approved authorization. As noted below there was a defeasance of \$1,650,000 of this debt during 1999.

On April 12, 1994, sewage disposal bonds in the amount of \$5,065,000 were sold by the County of Oakland Sewage Disposal - City of Orchard Lake Village System. These bonds are part of the \$9,300,000 voter approved authorization. As noted below there was a defeasance of \$3,510,000 of this debt during 1999.

On February 14, 1994 the City Council approved the borrowing of up to \$5,500,000 additional to complete the sewer construction project. On April 12, 1994, sewage disposal bonds in the amount of \$5,500,000 were sold by the County of Oakland Sewage Disposal - City of Orchard Lake Village System. As noted below there was a defeasance of \$3,945,000 of this debt during 1999.

On April 8, 1993, sewage disposal bonds in the amount of \$2,100,000 were sold by the County of Oakland Sewage Disposal - City of Orchard Lake Village System. These bonds are part of the \$9,300,000 voter approved authorization. As noted below there was a defeasance of \$1,290,000 of this debt during 2004.

On September 29, 1999, general obligation bonds in the amount of \$9,770,000 were sold by Oakland County for the purpose of retiring \$9,105,000 of the sewage disposal debt detailed above. The advance refunding met the requirements of an in-substance debt defeasance and the general obligations were removed from the City's General Long-Term Debt Account Group.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE F - Long-Term Debt (continued)

Enterprise Fund - Bonds Payable (continued)

As a result of the advance refunding, the City reduced its total debt service requirements by \$503,026, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$273,245. Schedule of principal and interest payments are as follows:

Year	Due November 1			Due May 1	
	Principal	Interest	Total	Interest	
2008	\$ 870,000	\$ 145,866	\$ 1,015,866	\$	
2008	900,000	125,441	1,025,441	125,441	
2009	955,000	103,841	1,058,841	103,841	
2010	1,015,000	80,444	1,095,444	80,444	
2011	820,000	55,069	875,069	55,069	
2012	865,000	34,364	899,364	34,364	
2013	465,000	12,090	477,090	12,090	
	<u>\$5,890,000</u>	<u>\$ 557,135</u>	<u>\$ 6,447,135</u>	<u>\$ 411,249</u>	

The bonds bear interest at a rate of 3.75% to 4.70%.

During the year ended June 30, 1992 the Oakland County Drain Commission issued Evergreen - Farmington Sewage Disposal bonds for permanent meter and interceptor rehabilitation. The City's allocated share of these bonds was \$31,545. On August 1, 2001 the County refunded this debt. As a result of this the scheduled payments between the City and County have been modified. Schedule of remaining principal and interest payments are as follows:

Year	Due May 1			Due November 1	
	Principal	Interest	Total	Interest	
2007	\$ 2,303	\$ 209	\$ 2,512	\$ 165	
2008	2,660	165	2,825	114	
2009	2,977	113	3,090	54	
2010	3,088	55	3,143		
	<u>\$ 8,725</u>	<u>\$ 333</u>	<u>\$ 9,058</u>	<u>\$ 333</u>	

The bonds bear interest at a rate of 3.5%.

Pursuant to an election held November 6, 1990 the electorate of the City authorized the issuance of bonds in an amount not to exceed \$6,000,000 for the purpose of defraying part of the cost of acquiring and constructing a water supply system. Taxes imposed by the City are not subject to limitation as to rate or amount pursuant to the November 6, 1990 election.

On April 12, 1994, water supply bonds in the amount of \$3,750,000 were sold by Oakland County. These bonds are part of the \$6,000,000 voter approved authorization. As noted below there was a defeasance of \$2,605,000 of this debt during 2003.

On May 1, 2003, general obligation bonds in the amount of \$2,770,000 were sold by Oakland County for the purpose of retiring \$2,605,000 of the water supply debt detailed above. The advance refunding met the requirements of an in-substance debt defeasance and the general obligations were removed from the City's General Long-Term Debt Account Group.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE F - Long-Term Debt (continued)Enterprise Fund - Bonds Payable (continued)

As a result of the advance refunding, the City reduced its total debt service requirements by \$366,975, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$313,307. Schedule of principal and interest payments are as follows:

Year	Principal	Due November 1		Due May 1	
		Interest	Total	Interest	
2007	\$ 250,000	\$ 28,351	\$ 278,351	\$	
2008	255,000	25,601	280,601	25,601	
2009	265,000	22,350	287,350	22,350	
2010	275,000	18,508	293,508	18,508	
2011	280,000	14,039	294,039	14,039	
2012	285,000	9,139	294,139	9,139	
2013	210,000	3,937	213,937	3,937	
	<u>\$1,820,000</u>	<u>\$ 121,925</u>	<u>\$ 1,941,925</u>	<u>\$ 93,574</u>	

The bonds bear interest at a rate of 1.50% to 3.75%.

On April 8, 1993 water supply bonds in the amount of \$2,250,000 were sold by Oakland County. These bonds are part of the \$6,000,000 voter approved authorization. As noted below there was a defeasance of \$1,350,000 for debt during 2004.

On January 8, 2004, general obligation bonds in the amount of \$2,770,000 were sold by Oakland County for the purpose of retiring \$2,640,000 of the sewer and water supply debt detailed above. The advance refunding met the requirements of an in-substance debt defeasance and the general obligations were removed from the City's General Long-Term Debt Account Group.

As a result of the advance refunding, the City reduced its total debt service requirements by \$275,578, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$246,061. Schedule of principal and interest payments are as follows:

Year	Principal	Due November 1		Due May 1	
		Interest	Total	Interest	
2007	\$ 310,000	\$ 26,361	\$ 336,361	\$	
2008	315,000	23,106	338,106	23,106	
2009	305,000	19,563	324,563	19,563	
2010	330,000	15,750	345,750	15,750	
2011	340,000	11,212	351,212	11,212	
2012	325,000	5,687	330,687	5,688	
	<u>\$1,925,000</u>	<u>\$ 101,679</u>	<u>\$ 2,026,679</u>	<u>\$ 75,319</u>	

The bonds bear interest at a rate of 2.00% to 3.50%.

The amounts necessary to amortize the debt described above for years subsequent to June 30, 2007 (excluding compensated absences) are as follows:

Year ending June 30,	General Long-Term Debt		Enterprise Fund	
	Principal	Interest	Principal	Interest
2008	\$ 295,000	\$ 81,205	\$ 1,432,660	\$ 375,076
2009	335,000	66,947	1,472,977	320,129
2010	385,000	50,471	1,528,088	260,565
2011	430,000	31,618	1,620,000	195,022
2012	460,000	10,810	1,440,000	129,511
2013			1,475,000	65,217
2014			675,000	16,027
	<u>\$ 1,905,000</u>	<u>\$ 241,051</u>	<u>\$ 9,643,725</u>	<u>\$1,361,547</u>

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE G - Retirement Plans

Defined Contribution Plan:

Effective January 1, 2000, the City established a defined contribution pension plan for all new full-time police employees, administered by ICMA. A defined contribution plan provides pension benefits in return for services rendered, provides an individual account for each participant and specifies how contributions to the individual accounts are to be determined instead of specifying the amount of benefit the individual is to receive. Participants become one-hundred percent vested after seven years of service. In a defined contribution plan benefits depend solely on amounts contributed to the plan plus investment earnings. City contributions are calculated on an employee's base salary at a rate of 12.5%, in accordance with the terms of negotiated labor contracts. Employees may make additional voluntary contributions to the plan.

In accordance with these requirements, the City contributed \$23,439 during the current year.

Deferred Compensation Plan:

The City offers all City employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of the Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balance and activities are not reflected in the City's financial statements.

Defined Benefit Plan:

The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance; disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. All City full-time employees are eligible to participate in the system. General employees who retire after age 55 with 10 years of credited service are entitled to a retirement benefit, payable for life, equal to 2.0% of their 5-year final average compensation (FAC). Police employees, appointed officials and building official are also eligible for these retirement benefits but are equal to 2.5% of their FAC, with a maximum benefit of 80% of FAC. Vested employees may retire after age 50 and receive reduced retirement benefits. The system also provides disability benefits to a member who becomes totally and permanently disabled while employed by the City and after acquiring 10 or more years of credited service. The service requirement is waived if the disability is from service connected causes. If a member or vested former member with 10 or more years of service dies in a non-duty related death before retirement, a monthly survivor allowance may be payable. The service requirement is waived in a duty related death. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2006.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining unit or personnel policy. The City is required to contribute at an actuarially determined rate; the current rate was 15.52% of annual covered payroll for appointed officials, and 14.17% for building official; the general and police employees contribute monthly \$2,191 and \$4,380, respectively. The clerk, building official and police are required to contribute 2.5% of their pay.

During the fiscal year ended June 30, 2007, the City's annual pension cost of \$99,645 was made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal cost funding method. The amortization period is closed for general and police employees; open for appointed and building official.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE G - Retirement Plans (continued)

Defined Benefit Plan (continued)

The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a ten year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over 29 years, with a gradual reduction to 25 years for open divisions.

Three Year Trend Information for GASB Statement No. 27:

<u>Fiscal Period Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2005	\$ 94,472	100%	\$ -0-
June 30, 2006	85,904	100%	-0-
June 30, 2007	99,645	100%	-0-

Required Supplementary Information for GASB Statement No. 27:

<u>Actuarial Valuation Date</u>	<u>Actuarial value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as of Percentage of Covered Payroll</u>
<u>December 31,</u>	<u>(a)</u>	<u>(b)</u>	<u>(b-a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>(b-a)/(c)</u>
2004	\$ 2,582,788	\$ 3,387,895	\$ 805,107	76.2%	\$ 671,391	119.9%
2005	2,745,692	3,642,374	896,682	75.4%	704,441	127.3%
2006	2,975,029	3,889,231	914,202	76.5%	732,677	124.8%

NOTE H - Post Employment Benefits:

The City provides hospitalization insurance coverage for employees (and their spouses) who retire under the Michigan Employees Retirement System. To qualify, the employee must retire at or after age 55 and complete at least ten (10) years of employment with the City.

The coverage for retired employees who were under the American Federation of State, County and Municipal Employees union contract is as follows. Coverage shall be provided until the retired employee attains age 65 or until he (she) becomes eligible for Medicare under the Federal Social Security Program, whichever occurs first. In addition to this, the City will contribute \$200 per employee and per spouse each month toward the supplemental coverage cost for retired employees who have become eligible for Medicare. The City's cost of coverage for a retired employee shall be limited to the required premium for such retired employee and their spouse, if any.

The coverage for retired employees who were under the Police Officers Labor Council union contract is as follows. Coverage shall be provided until the retired employee attains age 65 or until he (she) becomes eligible for Medicare under the Federal Social Security Program, whichever occurs first. Coverage shall be provided for the employee's spouse until the spouse attains age 65 or until the spouse becomes eligible for Medicare under the Federal Social Security Program, whichever occurs first, but in no case shall coverage be provided for a period longer than three (3) years from the date the employee is eligible for Medicare. In addition to this, the City will contribute \$200 per employee and per spouse each month toward the supplemental coverage cost for retired employees who have become eligible for Medicare.

The City's cost of retiree health care benefits is recognized as an expense in the year the hospitalization insurance coverage applies to. This totaled \$19,944 for the year ended June 30, 2007 and covered four retired employees.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE I - Fire Protection Agreement

The City has an agreement with the Tri-City Fire Department for fire protection. The Tri-City Fire Department services the City of Sylvan Lake, the City of Keego Harbor and the City of Orchard Lake Village. The governing body of the Tri-City Fire Department is made up of two members from each city. The fire protection agreement is an annual agreement and can be renewed by the governing bodies of each of the cities. Any city may withdraw from this agreement as of the last day of the term, or at any time upon not less than six months notice. Each city is obligated to pay to the Tri-City Fire Department an amount equal to one-third of the total approved annual budget of the Tri-City Fire Department. As of June 30, 2007, the Tri-City Fire Department has a fund surplus with assets being accumulated for future acquisitions. As included in the General Fund statement of expenditures, during the year ended June 30, 2007, \$214,161 was paid for fire protection to the Tri-City Fire Department. Financial statements of the Tri-City Fire Department are available for review at the fire hall.

NOTE J - Historical Society Lease Agreement

The City has renewed its lease agreement with the Greater West Bloomfield Historical Society to lease the old City Hall facilities for an annual amount of \$1,200. The lease automatically renews unless cancelled by either party.

NOTE K - Refuse Contract

The City has entered into a contract with Allied Waste Services for refuse pickup and disposal. The length of the contract is for 36 months, effective July 1, 2006 and runs through June 30, 2009. Monthly charges will be based on residential units serviced. The monthly charge per residential unit for the first year of the contract is \$13.22, \$13.75 for the second year and \$14.30 for the third year of the contract.

NOTE L - Library Services

The City has a contract with West Bloomfield Township Public Library to provide library services to residents of the City. Property owners of the City are assessed .3 mill for library services and the City is required to pay this amount (.3 mill) to West Bloomfield Township Public Library. The contract covers the period December 1, through November 30th of each year and is renewed automatically unless cancelled by six months written notice prior to the end of the current year period.

NOTE M - Trust and Agency Fund

The Trust and Agency Fund cash balance is composed of the following accounts at June 30, 2007:

Building bond	\$ 43,869
Water quality improvement	19,333
Tax collection	11,206
Site plan review	<u>1,804</u>
Total cash	<u>\$ 76,212</u>

NOTE N - Equipment Rental

On July 1, 1981, a Motor Pool Fund was established to account for the operation of the City's automotive and highway use equipment. Equipment with a cost of \$252,181 was contributed to the Motor Pool Fund from the General Fixed Assets. Rent is charged to the General Fund and Major and Local Road Funds on a cost reimbursement basis. For the year ended June 30, 2007, the Motor Pool Fund received rental income of \$62,100 from the General Fund, \$20,088 from the Local Road Fund and \$12,519 from the Major Road Fund.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE O - Cable Joint Venture

The City participates in an annual programming grant that Comcast Cable provides. The grant money is paid to West Bloomfield/Tri-Cities Cable Joint Venture Fund, which is under the joint ownership of four communities - the Cities of Orchard Lake Village, Keego Harbor, Sylvan Lake and the Township of West Bloomfield. The money in this fund must be used for the support of community cable programming. The fund is administered by the West Bloomfield Township accounting department. No part of this money is reflected in these financial statements.

NOTE P - Litigation and Contingent Liabilities

The City is defendant in various litigations. The City's attorney and management are of the opinion that any potential liability resulting from these cases, either can not be determined or should be within the insurance coverage of the City, therefore, is not reflected in the financial statements.

NOTE Q - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for health, dental and life claims. The City participates in the Michigan Municipal Risk Management Authority state pool for claims relating to property loss, torts, errors and omissions and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority state pool program operates as a common risk-sharing management program; state pool member premiums are aggregated and used to purchase excess insurance coverage, some of which is underwritten by the Authority.

NOTE R - Reserved Fund Balances

Fund balances have been reserved for the following purposes:

	<u>General Fund</u>	<u>OLSA Fund</u>
Transportation	\$ 5,900	\$
Nature sanctuary	7,117	
Workers compensation Insurance	19,491	
Weed Harvesting	<u> </u>	<u>5,000</u>
	<u>\$32,508</u>	<u>\$5,000</u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes:				
Current levy - general	\$ 1,656,800	\$ 1,654,750	\$ 1,656,431	\$ 1,681
Interest and penalty on delinquent taxes	40,000	96,650	96,670	20
Collection fees.	94,000	99,800	99,806	6
	<u>\$ 1,790,800</u>	<u>\$ 1,851,200</u>	<u>\$ 1,852,907</u>	<u>\$ 1,707</u>
Licenses and permits:				
General licenses	1,100	1,375	1,430	55
Cable T.V.	35,000	43,000	43,635	635
Lawn fertilizer fees	2,000	2,650	2,650	
Other.	50	100	108	8
	<u>\$ 38,150</u>	<u>\$ 47,125</u>	<u>\$ 47,823</u>	<u>\$ 698</u>
Federal sources - grants	3,000	3,000	3,000	
State sources:				
Sales tax.	175,000	178,000	174,674	(3,326)
Liquor licenses.	3,000	2,425	2,432	7
SMART.	3,582	3,582	3,582	
Criminal justice training.	1,700	1,825	1,847	22
	<u>\$ 183,282</u>	<u>\$ 185,832</u>	<u>\$ 182,535</u>	<u>\$ (3,297)</u>
Charges for services:				
St. Mary's security.		25,134	24,274	(860)
Green Vision program	12,000	3,500	3,505	5
Wood cutting	500	850	856	6
	<u>\$ 12,500</u>	<u>\$ 29,484</u>	<u>\$ 28,635</u>	<u>\$ (849)</u>
Fines and forfeits:				
Fines - 48th district court.	40,000	55,250	55,254	4
Parking violations	2,000	2,000	2,078	78
Other.	2,500	2,300	2,345	45
	<u>\$ 44,500</u>	<u>\$ 59,550</u>	<u>\$ 59,677</u>	<u>\$ 127</u>
Interest and rentals:				
Interest on investments.	64,000	87,000	86,431	(569)
Room rental.	200	950	850	(100)
	<u>\$ 64,200</u>	<u>\$ 87,950</u>	<u>\$ 87,281</u>	<u>\$ (669)</u>
Other:				
Contributions.	200	7,225	7,225	
Reimbursements and refunds	16,000	2,366	3,274	908
Miscellaneous.	2,300	2,800	8,234	5,434
	<u>\$ 18,500</u>	<u>\$ 12,391</u>	<u>\$ 18,733</u>	<u>\$ 6,342</u>
Total revenues	<u>\$ 2,154,932</u>	<u>\$ 2,276,532</u>	<u>\$ 2,280,591</u>	<u>\$ 4,059</u>

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Expenditures:				
General government:				
Elections:				
Fees and per diem	\$ 1,500	\$ 1,350	\$ 1,349	\$ 1
Supplies	2,000	1,200	899	301
Legal notices	1,250	1,100	1,088	12
	<u>\$ 4,750</u>	<u>\$ 3,650</u>	<u>\$ 3,336</u>	<u>\$ 314</u>
Assessing:				
Assessor and assistant	41,500	47,000	45,940	1,060
Supplies	3,000	3,500	3,057	443
Data processing and personal property assessing	4,000	4,000	3,069	931
	<u>\$ 48,500</u>	<u>\$ 54,500</u>	<u>\$ 52,066</u>	<u>\$ 2,434</u>
Legal fees	54,400	54,400	49,202	5,198
Clerk:				
Salaries	157,400	164,175	165,114	(939)
Postage	7,500	8,000	7,618	382
Office supplies and equipment	3,250	3,325	3,161	164
Printing	3,000	4,300	4,224	76
Legal notices	3,500	4,000	3,908	94
Payroll service fee		2,000	1,296	704
Miscellaneous	4,800	3,350	3,290	60
	<u>\$ 179,450</u>	<u>\$ 199,150</u>	<u>\$ 188,609</u>	<u>\$ 541</u>
Audit:				
Audit fees	6,200	6,200	6,200	
Consultations	1,500	1,510	1,510	
	<u>\$ 7,700</u>	<u>\$ 7,710</u>	<u>\$ 7,710</u>	<u>\$</u>
City Hall and grounds:				
Telephone	3,750	3,750	2,649	1,101
Utilities	10,500	9,500	8,456	1,044
Custodial and cleaning supplies	5,600	5,800	5,456	344
Repairs and maintenance	40,500	41,600	34,380	7,220
Administrative	10,000	8,500	8,609	(109)
	<u>\$ 70,350</u>	<u>\$ 69,150</u>	<u>\$ 59,550</u>	<u>\$ 9,600</u>
Total general government	\$ 365,150	\$ 378,560	\$ 360,473	\$ 18,087

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Expenditures (continued):				
Public safety:				
Police department:				
Salaries	548,698	545,880	542,780	3,100
Clerical	32,360	33,200	34,298	(1,098)
Court expenses	250	250		250
Police supplies	600	650	611	39
Uniform allowance	10,000	10,000	10,000	
Equipment rental	34,200	34,200	34,200	
Maintenance and repairs - radios	200	150	85	65
Weapons training	4,800	4,750	4,750	
Office supplies and L.E.I.N.	9,000	17,000	12,935	4,065
Dispatch	56,750	55,000	54,761	239
Criminal justice training	3,000	1,779	1,085	694
Miscellaneous and tuition	4,000	4,121	3,572	549
	\$ 703,858	\$ 706,980	\$ 699,077	\$ 7,903
Fire protection (Tri-City Fire Department):				
Fire protection agreement (Note 1)	214,200	214,200	214,161	39
Total public safety	\$ 918,058	\$ 921,180	\$ 913,238	\$ 7,942
Community and economic development:				
Planning Commission:				
Planner fees	18,000	20,000	16,004	3,996
Clerical wages	3,000	3,000	1,968	1,032
Corridor study	2,500	250	250	
Supplies and notices	500	750	555	195
	\$ 24,000	\$ 24,000	\$ 18,777	\$ 5,223
Environmental consultant	1,500	1,500		1,500
Total community and economic development	\$ 25,500	\$ 25,500	\$ 18,777	\$ 6,723
Public works:				
Public works department:				
Salaries and wages	91,750	104,600	102,940	1,660
Equipment rental	27,900	27,900	27,900	
Garage supplies	3,500	4,000	4,131	(131)
Uniform allowance	1,950	1,725	1,706	19
Miscellaneous	1,250	1,775	1,319	456
	\$ 126,350	\$ 140,000	\$ 137,996	\$ 2,004
Engineering fees	3,500	2,500	1,214	1,286

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Expenditures (continued):				
Public works (continued):				
NPDES compliance	10,000	12,000	11,378	622
Green Vision program	15,000	7,500	7,229	271
Street lighting	2,700	2,700	2,693	7
Refuse collection & No HAZ	119,500	121,600	121,538	62
Tri-Party Project		1,800	2,640	(840)
Total public works	\$ 277,050	\$ 288,100	\$ 284,688	\$ 3,412
Culture and recreation - sanctuary	12,500	16,500	16,337	163
Other:				
Payroll taxes	67,500	68,000	70,910	(2,910)
Insurance	66,000	70,000	66,658	3,342
Hospitalization Insurance	220,000	220,000	211,396	8,604
Dental Insurance	13,000	14,000	13,068	932
Optical insurance	3,000	4,000	3,790	210
Group insurance	15,000	13,000	12,705	295
Retirement plan	100,000	115,000	115,282	(282)
Contingency reserve	877	92		92
	\$ 485,377	\$ 504,092	\$ 493,809	\$ 10,283
Capital outlay - City Hall and grounds	10,000	5,000	4,950	50
Total expenditures	\$ 2,093,635	\$ 2,138,932	\$ 2,092,272	\$ 46,660
Excess of revenues over expenditures	\$ 61,297	\$ 137,600	\$ 188,819	\$ 50,719
Other financing sources (uses):				
Operating transfers in	5,000		2,300	2,300
Operating transfers out	(103,000)	(137,600)	(124,800)	12,800
Total other financing sources (uses)	\$ (98,000)	\$ (137,600)	\$ (122,500)	\$ 15,100
Excess of revenues and other sources over expenditures and other uses	\$ (36,703)	\$	\$ 65,819	\$ 65,819
Fund balance - July 1, 2006	976,960	976,960	976,960	
Fund balance - June 30, 2007	\$ 940,257	\$ 976,960	\$ 1,042,779	\$ 65,819

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State sources - Public Act 51	\$ 81,000	\$ 82,800	\$ 82,804	\$ 4
Interest on investments	1,500	1,050	1,089	39
Total revenues	\$ 82,500	\$ 83,850	\$ 83,893	\$ 43
Expenditures:				
Salaries and wages	17,500	15,000	12,101	2,699
Routine purchases	15,000	14,000	10,532	3,468
Purchased services	9,400	9,000	10,966	(1,966)
Audit fees	600	600	600	
Equipment rental	15,000	15,000	12,519	2,481
Total expenditures	\$ 57,500	\$ 53,600	\$ 46,718	\$ 6,882
Excess of revenues over expenditures	\$ 25,000	\$ 30,250	\$ 37,175	\$ 6,925
Other financing sources (uses):				
Transfer from General Fund		9,550	9,550	
Transfer to Local Road Fund	(25,000)	(25,000)	(25,000)	
Total other financing sources	\$ (25,000)	\$ (15,450)	\$ (15,450)	\$
Excess of revenues and other sources over expenditures and other uses	\$	\$ 14,800	\$ 21,725	\$ 6,925
Fund balance - July 1, 2006	2,273	2,273	2,273	
Fund balance - June 30, 2007	\$ 2,273	\$ 17,073	\$ 23,998	\$ 6,925

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LOCAL ROAD FUND

For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State sources:				
Public Act 51.	\$ 56,500	\$ 57,600	\$ 57,636	\$ 36
Metro Authority.	1,400	6,400	6,429	29
Interest on investments.	6,500	5,000	5,096	96
Total revenues	\$ 64,400	\$ 69,000	\$ 69,161	\$ 161
Expenditures:				
Salaries and wages	20,000	21,500	20,626	874
Routine purchases.	16,000	12,000	11,228	772
Purchased services	234,400	247,800	195,822	51,978
Audit fees	600	600	600	
Equipment rental	19,000	22,000	20,088	1,912
Total expenditures	\$ 290,000	\$ 303,900	\$ 248,364	\$ 55,536
Excess of revenues over (under) expenditures	\$ (225,600)	\$ (234,900)	\$ (179,203)	\$ 55,697
Other financing sources:				
Transfer from General Fund	65,000	72,800	65,000	(7,800)
Transfer from Major Road Fund.	25,000	25,000	25,000	
Transfer from Capital Improvement Fund	35,000	35,000	35,000	
Total other financing sources.	\$ 125,000	\$ 132,800	\$ 125,000	\$ (7,800)
Excess of revenues and other sources over (under) expenditures.	\$ (100,600)	\$ (102,100)	\$ (54,203)	\$ 47,897
Fund balance - July 1, 2006.	176,257	176,257	176,257	
Fund balance - June 30, 2007	\$ 75,657	\$ 74,157	\$ 122,054	\$ 47,897

OTHER SUPPLEMENTAL INFORMATION

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2007

	Special Revenue Funds	Capital Project Fund Pelletier Paving	Total Non-Major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 295,521	\$	\$ 295,521
Investments	203,452		203,452
Prepaid expenses	5,000		5,000
Due from other funds	21		21
Due from other governments	134		134
Total assets	<u>\$ 504,128</u>	<u>\$</u>	<u>\$ 504,128</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Due to other funds	\$ 21,249	\$	\$ 21,249
Due to other governments	22,138		22,138
Total liabilities	<u>\$ 43,387</u>	<u>\$</u>	<u>\$ 43,387</u>
Fund balances:			
Reserved	5,000		5,000
Unreserved	455,741		455,741
Total fund balances	<u>\$ 460,741</u>	<u>\$</u>	<u>\$ 460,741</u>
Total liabilities and fund balance	<u>\$ 504,128</u>	<u>\$</u>	<u>\$ 504,128</u>

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 JUNE 30, 2007

	Building Fund	Drug Forfeiture Fund	Library Fund	Capital Improvement Fund
ASSETS				
Cash and cash equivalents	\$ 21,831	\$ 3,325	\$ 23,148	\$ 208,514
Investments				203,452
Prepaid expenses				
Due from other funds			21	
Due from other governments			134	
Total assets	<u>\$ 21,831</u>	<u>\$ 3,325</u>	<u>\$ 23,303</u>	<u>\$ 411,966</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 13,009	\$ 2,300	\$	\$
Due to other governments			22,138	
Total liabilities	<u>\$ 13,009</u>	<u>\$ 2,300</u>	<u>\$ 22,138</u>	<u>\$</u>
Fund balances:				
Reserved				
Unreserved	8,822	1,025	1,165	411,966
Total fund balances	<u>\$ 8,822</u>	<u>\$ 1,025</u>	<u>\$ 1,165</u>	<u>\$ 411,966</u>
Total liabilities and fund balances	<u>\$ 21,831</u>	<u>\$ 3,325</u>	<u>\$ 23,303</u>	<u>\$ 411,966</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

Community Development Grant Fund	Retiree Healthcare Fund	OLSA Fund	Total Non-major Special Revenue Funds
\$	\$ 37,501	\$ 1,202	\$ 295,521
			203,452
		5,000	5,000
			21
			134
<u>\$</u>	<u>\$ 37,501</u>	<u>\$ 6,202</u>	<u>\$ 504,128</u>
\$	\$	\$ 5,940	\$ 21,249
			22,138
<u>\$</u>	<u>\$</u>	<u>\$ 5,940</u>	<u>\$ 43,387</u>
		5,000	5,000
	37,501	(4,738)	455,741
<u>\$</u>	<u>\$ 37,501</u>	<u>\$ 262</u>	<u>\$ 460,741</u>
<u>\$</u>	<u>\$ 37,501</u>	<u>\$ 6,202</u>	<u>\$ 504,128</u>

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2007

	Special Revenue Funds	Capital Project Funds Pelletier Paving	Total Non-Major Governmental Funds
Revenues:			
Taxes	\$ 110,671	\$	\$ 110,671
Licenses and permits	74,556		74,556
Federal sources	2,000		2,000
Fines and forfeitures	1,622		1,622
Interest	23,575	312	23,887
Other	29,782	5,961	35,743
Total revenues	\$ 242,206	\$ 6,273	\$ 248,479
Expenditures:			
Public safety	131,132		131,132
Public works	42,112	9,411	51,523
Health and welfare	2,000		2,000
Culture and recreation	110,671		110,671
Total expenditures	\$ 285,915	\$ 9,411	\$ 295,326
Excess of revenues over expenditures	\$ (43,709)	\$ (3,138)	\$ (46,847)
Other financing sources (uses):			
Transfer from other funds	50,250		50,250
Transfer to other funds	(37,300)		(37,300)
Total other financing sources (uses)	\$ 12,950	\$	\$ 12,950
Excess of revenues and other sources over (under) expenditures and other uses	\$ (30,759)	\$ (3,138)	\$ (33,897)
Fund balance - July 1, 2006	491,500	3,138	494,638
Fund balance - June 30, 2007	\$ 460,741	\$	\$ 460,741

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2007

	Building Fund	Drug Forfeiture Fund	Library Fund	Capital Improvement Fund
Revenues:				
Taxes	\$	\$	\$ 110,671	\$
Licenses and permits	74,556			
Federal sources				
Fines and forfeitures	1,622			
Interest	1,034	13	150	22,343
Other				
Total revenues	\$ 77,212	\$ 13	\$ 110,821	\$ 22,343
Expenditures:				
Public safety	127,104			
Public works		466		300
Health and welfare				
Culture and recreation			110,671	
Total expenditures	\$ 127,104	\$ 466	\$ 110,671	\$ 300
Excess of revenues over (under) expenditures	\$ (49,892)	\$ (453)	\$ 150	\$ 22,043
Other financing sources (uses):				
Transfer from General Fund	12,750			
Transfer to General Fund		(2,300)		
Transfer to Local Road Fund				(35,000)
Total other financing sources (uses)	\$ 12,750	\$ (2,300)	\$	\$ (35,000)
Excess of revenues and other sources over (under) expenditures and other uses	\$ (37,142)	\$ (2,753)	\$ 150	\$ (12,957)
Fund balance - July 1, 2006	45,964	3,778	1,015	424,923
Fund balance - June 30, 2007	\$ 8,822	\$ 1,025	\$ 1,165	\$ 411,966

Community Development Grant Fund	Retiree Healthcare Fund	OLSA Fund	Total Non-major Special Revenue Funds
\$	\$	\$	\$ 110,671
2,000			74,558
			2,000
	1	34	1,622
		29,782	23,575
			29,782
\$ 2,000	\$ 1	\$ 29,816	\$ 242,206
		4,028	131,132
		41,346	42,112
2,000			2,000
			110,671
\$ 2,000	\$	\$ 45,374	\$ 285,916
\$	\$ 1	\$ (15,558)	\$ (43,709)
	37,500		50,250
			(2,300)
			(35,000)
\$	\$ 37,500	\$	\$ 12,950
\$	\$ 37,501	\$ (15,558)	\$ (30,759)
		15,820	491,500
\$	\$ 37,501	\$ 262	\$ 460,741

JANZ & KNIGHT, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
300 EAST LONG LAKE ROAD, SUITE 360
BLOOMFIELD HILLS, MICHIGAN 48304-2377

50
YEARS
1954-2004

FREDERICK C. JANZ
ROBERT J. KNIGHT
KENNETH E. ZINK
JOHN M. FOSTER

JOHN W. MACKEY
MICHAEL V. HIGGINS
JOHN E. MIELKE, JR.
DAWN M. LENGERS
JOSHUA J. LYNN
JAMES A. STEPHENSON, III
STEPHEN C. OTIS

TELEPHONE (248) 646-9666
FACSIMILE (248) 646-3857

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

December 10, 2007

City Council and Management
City of Orchard Lake Village
3955 Orchard Lake Road
Orchard Lake, Michigan 48323

Dear City Council:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Orchard Lake Village as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Orchard Lake Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies which constitute a material weakness, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

Public Act 20 of 1943 authorizes local governments to invest in specific lawful investment instruments; Public Act 196 of 1997 requires local governments to adopt an investment policy. The City does have an investment policy that complies with statutory requirements, but during the year the City was not in compliance with their Diversification policy. The policy states that no more than 50% of the total investment portfolio will be invested in a single security type or with a single financial institution, with the exception of U.S. Treasury securities and authorized investment pools. During the year the City had 100% of its investments in one investment type and at one financial institution, but by year end this was corrected.

Because of the limited office personnel many internal controls are impractical due to the lack of segregation of duties. It is our recommendation that the City Council continuously monitor internal controls and implement as many controls possible to offset risks regarding collections, disbursements, and recording of accounting transactions.

Additionally, we offer the following general comments and recommendations:

Previous Comment:

Due to the implementation of GASB 40 - Deposit and Investment Risk Disclosure, we recommend that the City's investment policy be updated. GASB 40 addresses issues such as credit risk, concentration risk, and interest rate risk.

New Comment:

Due to the lack of segregation of duties it is recommended that the City create a journal entry log to improve internal controls. This log would document journal entries posted to the general ledger and it should be reviewed monthly by the Treasurer.

This communication is intended solely for the information and use of the City Council and Management, and others within the City, and not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Certified Public Accountants